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INTRODUCTION

The Office of Internal Audit performed an audit of Kent County FIA for the period October 1, 1996 through April 30, 1998. The objectives of our audit were to determine if internal controls in place at the local office provide reasonable assurance that departmental assets are safeguarded, transactions are properly recorded on a timely basis, and policies and procedures of the Michigan Family Independence Agency (FIA) are being followed. Kent County FIA had 372 full time equated positions (FTE's) at the time of our review. Kent County FIA provided assistance to an average 31,174 recipients per month during FY 1997, with total assistance payments of \$52,505,683 during that year.

SCOPE

Our audit was performed in accordance with Standards for the Professional Practice of Internal Auditing issued by the Institute of Internal Auditors. We obtained descriptions of significant systems operating at Kent County FIA, documented those systems, and evaluated controls in each system. We tested the systems for compliance, where feasible. We included the following systems:

Client Processing	CIS
Cash Disbursements	Cash Receipts
General Ledger	ENP/SER Payments
Safe & Controlled Documents	IRS Information Security
Modified Accrual Balance Sheet	

EXECUTIVE SUMMARY

Based on our audit, we conclude that the Kent County FIA internal controls are generally adequate to provide management with reasonable assurance that assets are safeguarded and

transactions are executed in accordance with management's authorization. We did, however, find a few instances of noncompliance with FIA policies and procedures and weaknesses in internal controls, which are detailed below.

LOCAL OFFICE RESPONSE

The management of Kent County FIA has reviewed all findings and recommendations included in this report. They indicated in a memorandum dated August 31, 1998 that they are in general agreement with the report.

FINDINGS AND RECOMMENDATIONS - COMPLIANCE

The following are areas where we found that the Kent County FIA was not operating in accordance with FIA policies and procedures that are described in manuals or instructional letters.

Restrictively Endorsing Checks

1. Kent County FIA did not restrictively endorse checks when they were received, as required by Accounting Manual Item 430. Restrictively endorsing checks as soon as possible helps to ensure that those checks can only be deposited in the appropriate account.

WE RECOMMEND that Kent County FIA restrictively endorse all checks as soon as possible.

Supporting Documentation for Payments

2. Kent County FIA did not attach an invoice or bill to the copy of the Authorization/Invoice (FIA-849) maintained in the fiscal office. Accounting Manual Item 404 requires that a bill

or invoice be attached to the payment authorization document. An attached bill or vendor invoice provides assurance that payments made are proper and correct.

WE RECOMMEND that Kent County FIA attach a bill or vendor invoice to all payment authorization documents.

FIA-849 Payments

3. Kent County FIA could not properly reconcile all payments listed on the FIA-849 Issuance Report (ES-440) with the FIA-849 and supporting documentation. We noted that when the ES-440 and the FIA- 849 did not reconcile, a request was sent to the worker, but in many cases the worker did not respond. The reconciliation process helps to ensure that the FIA-849 payments are accurate and appropriate.

WE RECOMMEND that Kent County FIA require workers to respond to notification of discrepancies between the ES-440 and FIA-849.

Stamping Documents “PAID”

4. Kent County FIA did not stamp supporting documents “PAID” when payment was made. The Accounting Manual Items related to each payment type require that supporting documents be stamped “PAID.” Stamping supporting documents “PAID” helps prevent duplicate payments.

WE RECOMMEND that Kent County FIA stamp supporting documents “PAID” when payment is made.

RECOMMENDATIONS FOR IMPROVED INTERNAL CONTROLS

The following are areas where we have identified a control weakness at Kent County FIA, and we are recommending a change in procedure to reduce the risk associated with the control weakness.

Safeguarding Mail

5. Kent County FIA received afternoon mail delivery from the Post Office. Afternoon deliveries were left unsecured at the front desk and then later taken to the mailroom. Leaving mail at the front desk for an unspecified time means that any negotiables received are not adequately safeguarded.

WE RECOMMEND that Kent County FIA develop procedures to safeguard mail delivered by the Post Office.

LOAAS Security

6. Kent County FIA did not maintain backup tapes for its Local Office Automated Accounting System (LOAAS) at an off-site location. Backup tapes should be stored off-site to protect them in the event of a flood, fire, or other disaster, to ensure that the county would be able to reconstruct its records if necessary.

WE RECOMMEND that Kent County maintain a backup tape of its LOAAS at an off-site storage location.

CIS Status Codes

7. One fiscal clerk at Kent County FIA had an FLM status code on the Client Information System (CIS). This status code allows the fiscal clerk to make changes to client cases and then process payments to those same cases.

WE RECOMMEND that Kent County FIA change the status of the fiscal clerk to inquiry only on CIS.